

Yr Adran Iechyd a Gwasanaethau Cymdeithasol  
Dirprwy Brif Weithredwr Dros Dro, GIG Cymru

Department for Health and Social Services  
Deputy Chief Executive, NHS Wales



Llywodraeth Cymru  
Welsh Government

Huw Vaughan Thomas  
Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

Our Ref: SD/SE/JM

27 July 2017

Dear Mr Vaughan Thomas

## **Response to the Report of the Auditor General for Wales on Implementation of the NHS Finance (Wales) Act 2014**

Andrew Goodall is currently on leave, therefore, I am responding to the recommendations in my role as Deputy Chief Executive, NHS Wales in his absence. We welcome the findings of the report and offer the following response to the two recommendations contained within it.

### **Recommendation 1**

**We recommend that the Welsh Government:**

- a) sets out more clearly in its guidance how, working in partnership with the Welsh Government, NHS bodies that have incurred a deficit should plan to recover their financial position in order to meet the duty in future years; and**
- b) enhances its monitoring returns to include the position against the three-year rolling periods, not only the annual picture.**

### **Welsh Government Response:**

#### ***Partially Accepted***

We do not accept that NHS bodies require additional guidance from Welsh Government on the action they need to take to recover a deficit in order to meet the duty in future years. The operation of the duty was detailed in the Explanatory Memorandum to the Act, and also has been set out in Welsh Health Circular (2016) 054 – Statutory Financial Duties of Local Health Boards and NHS Trusts. However, we recognise the need to ensure that all new board members fully understand the organisation's duties, and this requirement will be addressed in the Independent Member's Induction Programme.

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We accept the recommendation that our regular monitoring process needs to include a three-year perspective as well as the annual position for those organisations working to approved three-year plans. We will consider the additions we need to make to the monitoring process to include this perspective. This will be completed by 31<sup>st</sup> October 2017.

## **Recommendation 2**

**We recommend that the Welsh Government swiftly completes the review of its funding formula for health boards to ensure that variations in funding levels properly reflect differences in population health needs and other determinants of healthcare costs**

### **Welsh Government Response:**

#### ***Accepted***

Phase 1 of the resource allocation review was completed within the Finance Regime element of Together for Health. We intend to take forward Phase 2 in due course. Project proposals and timetable are under development and will be shared with the Cabinet Secretary for Health, Well-being and Sport.

Yours sincerely



#### **Simon Dean**

Deputy Chief Executive, NHS Wales

cc.

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- The PAC Chair via the PAC mailbox – [SeneddPAC@assembly.wales](mailto:SeneddPAC@assembly.wales)
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